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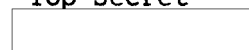


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EL SALVADOR: Political Maneuvering Continues

The new constituent assembly has delayed its initial session until Thursday, allowing additional time to arrange a compromise between rightist and moderate factions for a broad-based government.

The delay in convening the assembly is largely the result of a warning by the military to the rightist parties to continue working for a government of national unity and not to take any precipitous actions. At the same time, the military reiterated its support for political and economic reforms and its nonparticipation in any new provisional executive.

//The insurgents, meanwhile, continue to inflict casualties on government forces through surprise attacks. The number of Army and security forces killed and wounded during the first three months of this year totaled nearly 1,200 men, up over 50 percent from the same period in 1981. The rise in the number of casualties also is due to increased anti-insurgent operations by the government.//

Comment: //No immediate solution to El Salvador's political crisis appears imminent despite the reprieve caused by the postponement of the initial assembly session. The military's intervention in the process is a positive sign, however, and will make it difficult for the rightists to exclude the Christian Democrats from the new provisional executive. The military's insistence, nevertheless, that it will not serve on the executive reduces the alternatives for a compromise candidate.//

//Unless the political maneuvering ends soon and the military mounts significant new offensive operations, the government risks losing the psychological advantage it gained over the insurgents following the election.//

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USSR-US: Brezhnev's Summit Proposal

President Brezhnev's call on Saturday for a summit in October appears to have been designed to seize the propaganda initiative from the US and demonstrate that Brezhnev remains in control of Soviet policy. [redacted]

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Brezhnev did not flatly reject President Reagan's proposal of 5 April for informal talks at the UN in June but nonetheless was critical in his response. He said that the President's remarks "left a vague impression" and that a summit "must be well prepared and conducted properly, not just in passing in connection with some international forum." [redacted]

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Comment: Brezhnev's remarks expand on private Soviet criticism of the US proposal as an insincere propaganda ploy intended to mollify arms control advocates and take advantage of the Soviet President's illness. His comments give the impression of being forthcoming while implicitly rejecting the US overture. [redacted]

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A formal summit would enable the Soviets to call worldwide attention to their "peace" offensive. By proposing an October meeting, Brezhnev probably wants to gain time to recover fully from the stroke he apparently suffered last month. Remarks by Brezhnev to an unidentified *Pravda* correspondent also help dispel recent rumors of incapacitation or political decline as a result of succession maneuvering. [redacted]

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The Soviets almost certainly want to postpone any summit until later this year partly because they calculate that the US will come under increasing domestic and foreign pressure to enter talks on Soviet terms, especially on opening negotiations on limiting strategic nuclear weapons. A TASS article yesterday implied as much in predicting that by this fall the antinuclear arms movement would reach the scale of the earlier anti-Vietnam protests. [redacted]

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WEST GERMANY: Divisions in the Peace Movement

//Communist opposition to criticism of the USSR to balance that directed against the US is creating divisions in the peace movement in West Germany.//

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//In recent planning for the demonstration that is to coincide with the NATO summit in Bonn this June, the environmentalist "Greens" refused to accept Communist demands that the protest be directed exclusively against the US. The "Greens" and other groups called for a more truly nonaligned balance and sought motions supporting the East German peace movement and condemning martial law in Poland and the USSR's involvement in Afghanistan.//

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//When the well-organized Communists rammed through their proposals at the planning meeting, the "Greens" denounced the Communists as Soviet agents interested only in advancing Moscow's policies. The "Greens" still intend to take part in the demonstration in June, but they will dissociate themselves from the Communists.//

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Comment: //Although the organizations in the peace movement want to avoid further divisions, many of them may feel compelled to follow the "Greens'" example. The Social Democratic Party's youth affiliate and the major Protestant peace organizations dissociated themselves from the Communists following the "Greens'" action and probably will not cooperate with Communist groups in planning demonstrations for this June.//

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//A more evenhanded approach probably would give the peace movement wider appeal but would not reduce its opposition to INF deployment. The Soviets and the East Germans want to prevent such deployment and may reluctantly instruct their surrogates to accept some criticism of the Soviet and other Communist governments in order to have them remain in the peace movement and retain influence in it.//

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SPAIN-NATO: Prospects for Entry

//Developments in Greece, the Netherlands, and France have improved prospects for Spain's entry into the Alliance by the time the NATO summit convenes in June, but some obstacles remain.//

//Greek Prime Minister Papandreou stated recently that, because NATO membership is so important for Spain, "Greece cannot but approve," and he told visiting Spanish Prime Minister Calvo Sotelo that accession will be high on the agenda when the Greek parliament reconvenes on 26 April. Papandreou added that he would take steps to ensure Greek approval at least by the time of the summit.//

//Papandreou reportedly was influenced by the French National Assembly's approval of Spanish accession with only the Communists opposing. The French Senate will consider Spain's membership on Wednesday.//

//The Dutch Government has accelerated its ratification procedures and is expected to submit Spain's application to parliament by the end of the month. Socialist Foreign Minister van der Stoep--who believes ratification will be accomplished "on time" despite opposition within his own party--fully supported this more expeditious handling.//

Comment: //Greece and Portugal remain concerned about the NATO commands for their regions, and both would like assurances that Spanish membership will not lead to an unacceptable division of command responsibility and, in Lisbon's case, a possible loss of status in the Alliance. During his visit to Athens, Calvo Sotelo apparently was not asked to support Greece in its disputes with Turkey, but Papandreou hopes for Spanish understanding after Spain becomes a NATO member.//

//Turkey also has to ratify accession and could drag its heels in order to persuade other Allies to resist Greek demands for a security guarantee from the Alliance. Dutch acceptance of Spanish membership probably will contain references to Spanish democracy and future government changes that Madrid may find insulting--even though they are nonbinding.//

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POLAND: Planned Increase in Western Imports

//Warsaw has decided to increase imports from the West in the second quarter by 20 percent over previously planned levels. Poland ran a trade surplus in the first quarter to make some payments on its debt and earlier had planned to run a \$250 million surplus in the second quarter.

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Comment: The increase in imports would bring trade with the West into balance and would ease severe shortages of industrial materials and spare parts. These shortages have hampered economic recovery and have helped idle 40 percent of the country's manufacturing capacity.

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CHINA: Industrial Plant Purchases

China is again buying entire industrial plants from Japan and Western Europe after an 18-month moratorium. Beijing briefly suspended plant purchases in 1979 and halted them entirely in 1981 after uncontrolled contracting overextended China's financial resources. New contracts have been signed for plants to produce engineering plastics, foodstuffs, textiles, and consumer goods. Beijing has also notified contractors that construction of several postponed petrochemical and metallurgical projects will resume.

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Comment: A \$4 billion trade surplus in 1981 apparently has eased restrictions on foreign exchange. China has spent the last two years consolidating and restructuring industry, and authorities are now better able to identify weaknesses that can most effectively be resolved by importing entire plants. The Chinese recognize their limited capacity to absorb new plants and probably will not seek industrial facilities on the large scale of earlier purchases.

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CHINA: Winter Grain Prospects

[redacted] prospects are good for the winter grain crop, which accounts for 15 percent of China's annual grain production. The Chinese have announced a grain production target of 333 million tons for this year.// [redacted]

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Comment: //With good weather conditions, output of winter grain should approach the near-record crop in 1981 of 57 million tons. To achieve their overall target for the year, the Chinese would need record or near-record production of all major grain crops. Even with such a harvest, however, they probably would still buy more US grain than the 6 million tons they are obliged to purchase under the current long-term agreement.// [redacted]

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